

ORIGINAL

GALLAGHER & KENNEDY

P.A.

ATTORNEYS AT LAW

RECEIVED



0000056653

MICHAEL M. GRANT
DIRECT DIAL: (602) 530-8291
E-MAIL: MMG@GKNET.COM

2006 JUN 29 P 3:35

AZ CORP COMMISSION
DOCUMENT CONTROL

2575 EAST CAMELBACK ROAD
PHOENIX, ARIZONA 85016-9225
PHONE: (602) 530-8000
FAX: (602) 530-8500
WWW.GKNET.COM

June 29, 2006

HAND DELIVERED

Docket Control
Arizona Corporation Commission
1200 W. Washington
Phoenix, AZ 85007

Re: *Rebuttal Testimony of Rick L. Moore; AT&T Notice of Intent or, Alternatively, for a Limited Waiver; Docket Nos. T-02428A-06-0203, T-03016A-06-0203, T-03116A-06-0203, T-03287A-06-0203 and T-03346A-06-0203*

Dear Sir/Madam:

Enclosed are the original and 23 copies of the rebuttal testimony of Rick L. Moore on behalf of AT&T Inc. in the above-entitled matter. Your assistance in relation to this matter is appreciated.

Very truly yours,

GALLAGHER & KENNEDY, P.A.

By:

Michael M. Grant

MMG/ped
17840-3/1382839

Enclosures

Original and 23 copies filed with Docket
Control this 29th day of June, 2006.

June 29, 2006

Page 2

cc (w/enclosures): Judge Teena Wolfe, Hearing Division (delivered)
Maureen Scott, Legal Division (delivered)
Elijah Abinah, Assistant Director, Utilities Division (delivered)
John Gibson
Daniel Foley
Theodore A. Livingston
James G. Harralson
Harris R. Anthony
Stephen L. Earnest
Peter Shields
J. Scott Rhodes

REBUTTAL TESTIMONY OF RICK L. MOORE

**Managing Director, Corporate Development
AT&T Inc.**

June 29, 2006

REBUTTAL TESTIMONY OF RICK L. MOORE
on Behalf of AT&T Inc.

Q. PLEASE STATE YOUR NAME AND TITLE.

A. My name is Rick L. Moore and I am Managing Director of Corporate Development for AT&T.

Q. DID YOU PREVIOUSLY FILE DIRECT TESTIMONY IN THIS MATTER?

A. Yes. On May 8, 2006, I filed testimony in support of the Notice of Intent or, Alternatively, Request for Limited Waiver submitted by AT&T on March 31, 2006 (the "Notice") with respect to its planned merger with BellSouth.¹

Q. HAVE YOU REVIEWED THE TESTIMONY FILED ON BEHALF OF UTILITIES DIVISION STAFF ("STAFF") BY MR. FIMBRES ON JUNE 21, 2006?

A. Yes, I have. We certainly agree with the conclusions which Mr. Fimbres reaches as well as Staff's recommendation that the Commission should approve the AT&T/BellSouth merger. As Mr. Harralson and I discussed in our direct testimonies, BellSouth has no employees, no facilities and no local exchange service customers in Arizona. BellSouth Long Distance, Inc. ("BSLD"), the only BellSouth subsidiary certificated in Arizona, holds only long-distance resale authority. Even in comparison with other long-distance resale providers, BSLD has a very small amount of annual revenues and income. Those facts certainly support Mr. Fimbres' conclusions that the merger will have "essentially zero"

¹ See investor disclosure statement attached as Exhibit A.

1 effects on competition and market share and should not result in force reductions
2 in Arizona.²

3 **Q. AT PAGES 9-10 OF HIS TESTIMONY, MR. FIMBRES STATES STAFF'S**
4 **RECOMMENDATION THAT THE COMMISSION APPROVE THE**
5 **MERGER BASED ON THE MERGED ENTITY'S COMPLIANCE WITH**
6 **CERTAIN RECOMMENDATIONS. I'LL SUMMARIZE AND ASK YOU**
7 **TO ADDRESS EACH RECOMMENDATION. FIRST, HE**
8 **RECOMMENDS ADVANCE NOTICE AND THEN SUBSEQUENT**
9 **REPORTING TO THE COMMISSION OF ANY MERGER-RELATED**
10 **LAYOFFS, PLANT CLOSINGS OR FACILITY CLOSINGS. IS THAT**
11 **RECOMMENDATION ACCEPTABLE TO AT&T?**

12 **A. Yes.**

13 **Q. MR. FIMBRES ALSO RECOMMENDS CONTINUED COMPLIANCE**
14 **WITH DECISION NO. 68269—THE COMMISSION'S APPROVAL OF**
15 **THE SBC MERGER WITH AT&T IN NOVEMBER OF LAST YEAR. IS**
16 **THAT RECOMMENDATION ACCEPTABLE TO AT&T?**

17 **A. Yes. As we indicated in the Notice, my testimony and Mr. Watts' March 29,**
18 **2006 letter to the Commissioners, which is Exhibit 1 to Mr. Fimbres' testimony,**
19 **AT&T will continue to comply with the notice, reporting and residential**
20 **arbitration provisions of Decision No. 68269.**

21 **Q. FINALLY, STAFF RECOMMENDS THAT AT&T FILE, FOR**
22 **COMMISSION APPROVAL, A PLAN TO REFUND DIRECTORY**
23 **ASSISTANCE OVERCHARGES TO BUSINESS CUSTOMERS WITHIN**
24 **30 DAYS OF THE ORDER APPROVING THE MERGER. IS THAT**
25 **RECOMMENDATION ACCEPTABLE TO AT&T?**

26 **A. Yes. However, in a subsequent conversation our counsel had with Staff, because**
27 **we have already developed a plan for giving billing credits to the affected**

² Fimbres Testimony, p. 7, ll. 12-22 and p. 8, ll. 8-17.

1 business customers, we agreed to file that plan for Commission approval next
2 week.

3 **Q. MR. MOORE, PLEASE SUMMARIZE THE KEY FEATURES AND**
4 **BENEFITS OF THE AT&T/BELLSOUTH MERGER.**

5 A. As I discussed in my direct testimony, the Merger will not change either the
6 ownership or control of any of AT&T's Arizona Operating Subsidiaries, nor will
7 it change any of their rates, terms and conditions of service. The Commission
8 will have precisely the same regulatory authority over them as it has today. All
9 provisions of Decision No. 68269 concerning the SBC/AT&T merger will remain
10 in full force and effect. The merged entity's ability to attract capital at reasonable
11 rates and to continue to provide reliable service will be enhanced by the Merger.
12 As Mr. Fimbres notes, BellSouth is a \$20 billion plus corporation which serves
13 over 43 million access lines in nine southern states. The addition of this financial
14 strength and customer base will create an even stronger competitor in Arizona.
15 The merged entity's network will benefit from increased efficiency, higher
16 reliability and reduced costs and will allow for faster and more economic
17 introduction of new services and features for both residential and business
18 customers. Finally, after the Merger, Cingular will be a "controlled affiliate" of
19 AT&T and thus--under the terms of Decision No. 68269--Cingular's Arizona
20 wireless customers will be able to participate in the residential arbitration program
21 which the Commission concluded was an additional benefit of last year's
22 SBC/AT&T merger.

23 **Q. PLEASE SUMMARIZE FOR THE COMMISSION THE STATUS OF**
24 **REQUIRED APPROVALS FOR THE MERGER TRANSACTION.**

1 A. As we expected, the approval process has been moving very rapidly. As of the
2 filing of this testimony, all necessary international approvals have been secured
3 from Germany, Norway and the United Kingdom. Approval is required in 18
4 states. Twelve of those states have already completed the approval process—
5 including two of the six BellSouth states which require approval. Those states are
6 Delaware, Florida,³ Minnesota, New Hampshire, New Jersey, New York, North
7 Carolina, Pennsylvania, Utah, Vermont, West Virginia and Wyoming. We
8 currently project that all state approvals will be secured by the end of July, 2006.
9 The Commission has a regular Open Meeting scheduled for July 25, 2006 and we
10 would ask that the Commission approve the Merger at that Open Meeting.

11 **Q. MR. MOORE, DO YOU HAVE A RECOMMENDATION FOR THE**
12 **COMMISSION?**

13 A. Yes. There have been no interventions on this matter. Staff's position is that the
14 Merger should be approved with recommendations we accept. We would ask that
15 the Commission enter its Order approving the Notice. To assist us in timely
16 securing all necessary approvals, we'd also ask that it do so no later than the
17 July 25, 2006 Open Meeting.

18 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

19 A. Yes.

20 17840-3/1381065

³ Florida does have a post-approval protest period which will expire on or about July 12, 2006.

EXHIBIT A

EXHIBIT A

NOTICE

Cautionary Language Concerning Forward-Looking Statements

We have included or incorporated by reference in this document financial estimates and other forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These estimates and statements are subject to risks and uncertainties, and actual results might differ materially from these estimates and statements. Such estimates and statements include, but are not limited to, statements about the benefits of the merger, including future financial and operating results, the combined company's plans, objectives, expectations and intentions, and other statements that are not historical facts. Such statements are based upon the current beliefs and expectations of the management of AT&T Inc. and BellSouth Corporation and are subject to significant risks and uncertainties and outside of our control.

Readers are cautioned that the following important factors, in addition to those discussed in this statement and elsewhere in the proxy statement/prospectus to be filed by AT&T with the SEC, and in the documents incorporated by reference in such proxy statement/prospectus, could affect the future results of AT&T and BellSouth or the prospects for the merger: (1) the ability to obtain governmental approvals of the merger on the proposed terms and schedule; (2) the failure of BellSouth shareholders to approve the merger; (3) the risks that the businesses of AT&T and BellSouth will not be integrated successfully; (4) the risks that the cost savings and any other synergies from the merger may not be fully realized or may take longer to realize than expected; (5) disruption from the merger making it more difficult to maintain relationships with customers, employees or suppliers; (6) competition and its effect on pricing, costs, spending, third-party relationships and revenues; (7) the risk that any savings and other synergies relating to the resulting sole ownership of Cingular Wireless LLC may not be fully realized or may take longer to realize than expected (8) final outcomes of various state and federal regulatory proceedings and changes in existing state, federal or foreign laws and regulations and/or enactment of additional regulatory laws and regulations; (9) risks inherent in international operations, including exposure to fluctuations in foreign currency exchange rates and political risk; (10) the impact of new technologies; (11) changes in general economic and market conditions; and (12) changes in the regulatory environment in which AT&T and BellSouth operate. Additional factors that may affect future results are contained in AT&T's, BellSouth's, and Cingular Wireless LLC's filings with the Securities and Exchange Commission ("SEC"), which are available at the SEC's website (<http://www.sec.gov>). Neither AT&T nor BellSouth is under any obligation, and expressly disclaim any obligation, to update, alter or otherwise revise any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future events or otherwise.

This document may contain certain non-GAAP financial measures. Reconciliations between the non-GAAP financial measures and the GAAP financial measures are available on the company's website at www.sbc.com/investor_relations.

The cites to webpages in this document are for information only and are not intended to be active links or to incorporate herein any information on the websites, except the specific information for which the webpages have been cited.